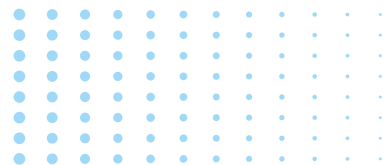
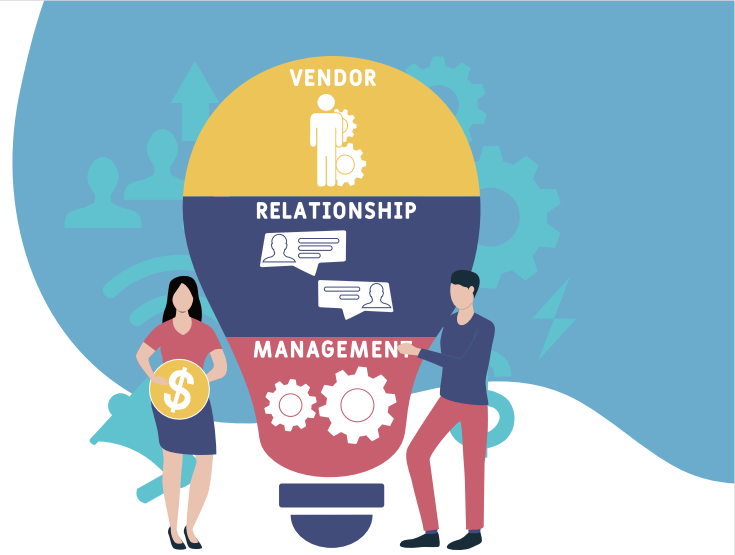
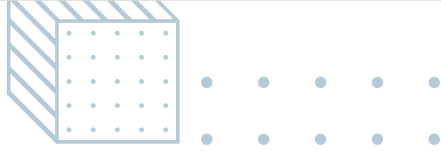




LEVERAGING PLM FOR EFFECTIVE VENDOR MANAGEMENT





Sourcing is among the critical functions in a retail business. Retailers need to identify customer needs, analyze market trends, choose relevant vendors, manage the procurement cycle and do these efficiently. Processes like Purchase Order Management, Contract Management, Vendor Management, Goods and Services Receipt Management are involved in the procurement cycle. These sourcing processes are very complex and require a high level of accuracy. They also present challenges that must be solved.

The top concerns that retailers today have are around the **increase in labor and energy costs, social and environmental compliance, the widely dispersed nature of sourcing destinations, and Vendor Management**. Of the top eight exporting nations in Asia, Bangladesh ranks number one with 80% of retailers ranking it within the top three as the most favored sourcing destination. Further, 25% of retailers say Sub-Saharan Africa could become an important sourcing destination in the next 5 years. To understand the size of the Vendor Management problem, consider the fact that clothing imports to EU were around Eur 154 bn in 2019, just over half of which came from non-EU Member states. This would necessitate a robust Vendor Management system for global retailers.

Factories worldwide produce millions of items for top European and American brands. Complex, multi-tiered supply chains help manage the flow of these items. Over the years, these supplier networks have posed difficult challenges for sourcing teams related to pricing, delivery, quality and ethical standards. Regular performance management has therefore become necessary to ensure the best suppliers while also educating them on improving their performance.

Impact of Covid-19 on sourcing process

The COVID-19 pandemic has already created significant disruption for organizations and society. It has radically changed the macroeconomic outlook for 2020 and beyond with the result that retailers are investing in **more robust business continuity practices**.

With their complex supply chains, retailers are concerned about:



These are intractable problems for organizations without technology solutions to support decision-making.





The ongoing pandemic has made many organizations realize that technology is no longer a competitive advantage but a necessary business enabler. It has also increased the focus on technologies that support business continuity.

The three major areas for retailers determined to improve their sourcing are:



Understanding how suppliers' and their subcontractors' locations are spread out globally, and knowing which products pass through those sites, is critical to manage disruptions. This enables retailers to **quickly predict how the supply chain will be impacted** over the coming weeks, giving them time to execute mitigation strategies.

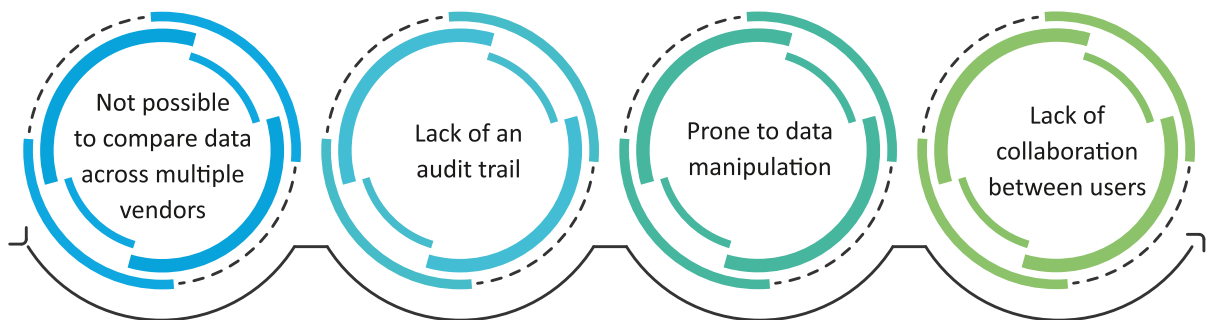
Sustainability has taken centerstage with retailers, which means that manufacturers and suppliers must not only ensure **quality from an aesthetic perspective**, but also be able to demonstrate that human and environmental rights are respected.

Deploying tools infused with strong analytics capabilities will enable organizations to get ahead of demand, respond to changing market conditions, **improve demand forecast accuracy** and suggest better allocation and replenishment strategies.

For these and several other reasons, the role of the sourcing department in Vendor Management becomes highly strategic. This has made the function ripe for digital transformation. Thanks to digitalization, information and insight into supplier performance will enable retailers to create a superior supplier base.

There are multiple ways in which Vendor Management is being currently done-via legacy supplier management systems, ERP and spreadsheets.

Some key challenges in current Vendor Management are:



Need for a Vendor Management tool

55% of Fashion Retailers say they lack sophisticated vendor allocation and production planning models and/or tools

99% of Fashion Retailers believe that reducing lead times helps build profitable apparel companies

To achieve the above, retailers need an efficient Vendor Management strategy.

External suppliers are an indispensable asset to business organizations. Some spend up to 60% of their revenue on purchase from external suppliers. Thus, it is safe to believe that a strong supplier base can act as a source of competitive advantage and have a major role to play in the success of an organization.

Gathering and managing supplier information for product sourcing is often a time-consuming manual task. Once the information is gathered it must be structured for quick access. Crunching vast amounts of data quickly can help arrive at the right sourcing decisions. This is why supply chain managers **must have a robust system in place that can track their suppliers' activities and growth.**

Need for effectively managing vendor evaluation, scorecard and rankings

73% of sourcing executives plan to consolidate their supplier base by at least 5%

65% of sourcing executives expect to achieve full traceability from fiber to store by 2025

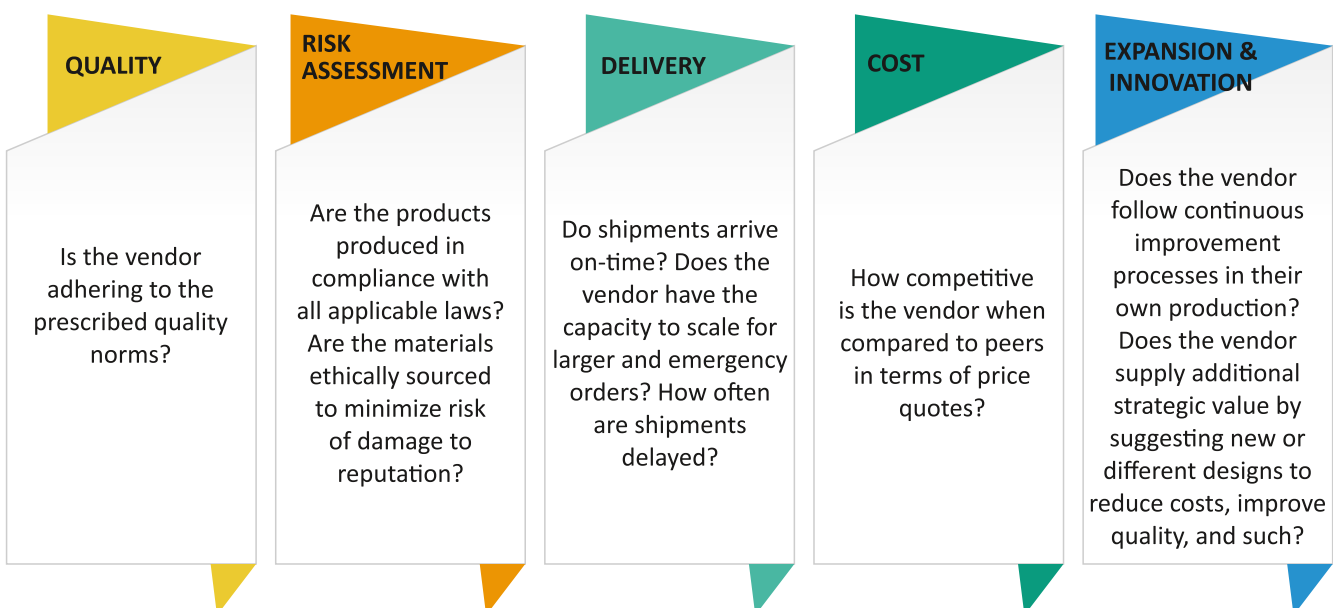
Retailers are increasingly offloading a greater portion of design-related tasks to suppliers. Retailers are restricting themselves to high-level designing and are seeking out suppliers who can manage sampling, raw material sourcing and product sourcing activities. It becomes important to efficiently manage these activities when information is expected from multiple suppliers and there is a need for comparing information.

There are several reasons to build strong vendor-buyer relationships such as:

1. Understanding vendor capabilities to build efficiencies
2. Risk Management
3. Classification of vendors (vendor rankings)

Vendor KPIs

Some of the commonly identified KPIs for a Fashion Apparel vendor could be





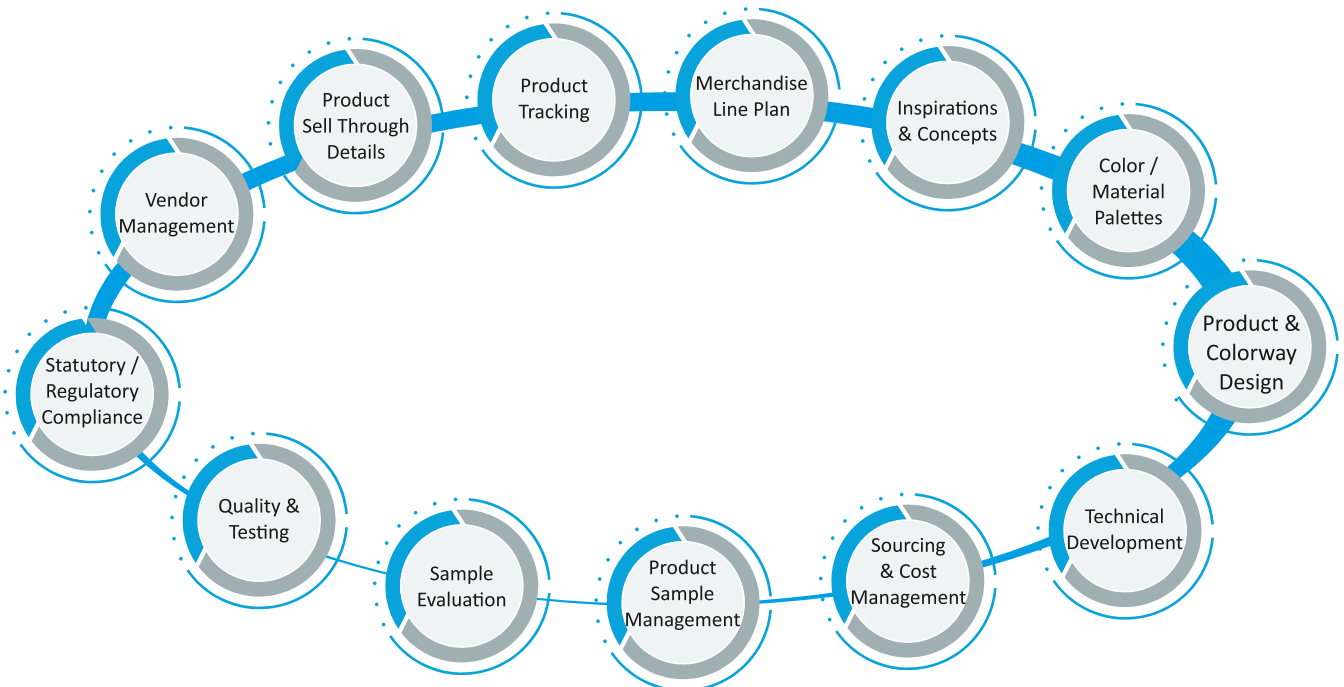
Key expectations from a good PLM tool are:

- Ability to **hold all information** related to vendor in a structured manner at a single place
- Ability to **define measurable KPIs** and capture real time data for these KPIs
- Ability to **generate vendor scorecards**
- Ability to **rank vendors** based on individual defined KPIs

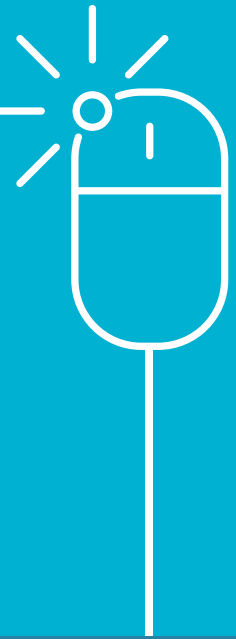
Considering the challenges and complexities of Retail Supply Chain and Vendor Management, it becomes imperative to use a tool which helps manage all the aspects comprehensively. PLM is the tool where all vendor-related data resides. As the relationship with the vendor starts at the product development stage, it is PLM that should have records of vendor performance capabilities. Vendor scorecard and dashboards within PLM can enable informed decision-making during the product development cycle. Sustainability measures can be effectively managed in the application. Early visibility of product Sustainability score helps management to keep deviations minimal.

The ranking based on KPIs can provide information about vendors who are at the bottom of performance metrics and thus perfect cases for either development or removal from the system. PLM with vendor performance capabilities can provide much needed visibility in an objective manner for vendor selection and subsequent product development with that vendor.

PLM covers a wide array of functions as indicated below



Artificial intelligence and machine learning have made their way into the business world based on the idea that systems can learn from data, identify patterns, and make decisions with minimal human intervention. Sourcing function could benefit from advancements in machine learning, namely due to the many repetitive and manual tasks that most buyers have to go through on a daily basis. A combination of AI/ML and PLM can be very powerful as it would be possible to automate the process and will lead to efficient usage of data.



REFERENCE LINKS

1. McKinsey Apparel CPO Survey reports and What's next in Apparel Sourcing
2. <https://www.purchasecontrol.com/uk/blog/vendor-management-kpis/>
3. https://www.researchgate.net/publication/233705439_Sourcing_Strategies_in_Clothing_Retail_Firms_Product_Complexity_versus_Overseas_Supply_Chain
4. Zycus Article: Supplier-Performance-Evaluation-for-Better-Results
5. <https://www.jaggaer.com/supplier-management-and-sourcing-in-the-fashion-industry-under-the-spotlight/>
6. <https://www.statista.com/topics/3423/clothing-and-apparel-market-in-europe/>
7. <https://blog-idcuk.com/covid-19-impact-supply-chain-management/>

AUTHOR DETAILS



Raghuvver BR is a Principal Consultant responsible for leading Retail PLM implementations across clients in ITC Infotech. He has around 20+ years of experience in apparel & IT industries.

As part of the ITC Infotech's Retail PLM team, he has been associated with multiple Retail PLM implementations and Customer Change Management initiatives.

In his present role, he works closely with retail clients & technical teams to develop tailored solutions which help in addressing specific business challenges during their Product Development stage.

About ITC Infotech

ITC Infotech is a leading global technology services and solutions provider, led by Business and Technology Consulting. ITC Infotech provides Business-friendly Solutions to help clients succeed and be future-ready, by seamlessly bringing together digital expertise, strong industry specific alliances and the unique ability to leverage deep domain expertise from ITC Group businesses. The company provides technology solutions and services to enterprises across industries such as Banking & Financial Services, Healthcare, Manufacturing, Consumer Goods, Travel and Hospitality, through a combination of traditional and newer business models, as a long-term sustainable partner.

ITC Infotech is a fully-owned subsidiary of ITC Ltd, one of India's foremost private sector companies and a leading multi-business conglomerate.

www.itcinfotech.com | contact.us@itcinfotech.com

Follow us on

